

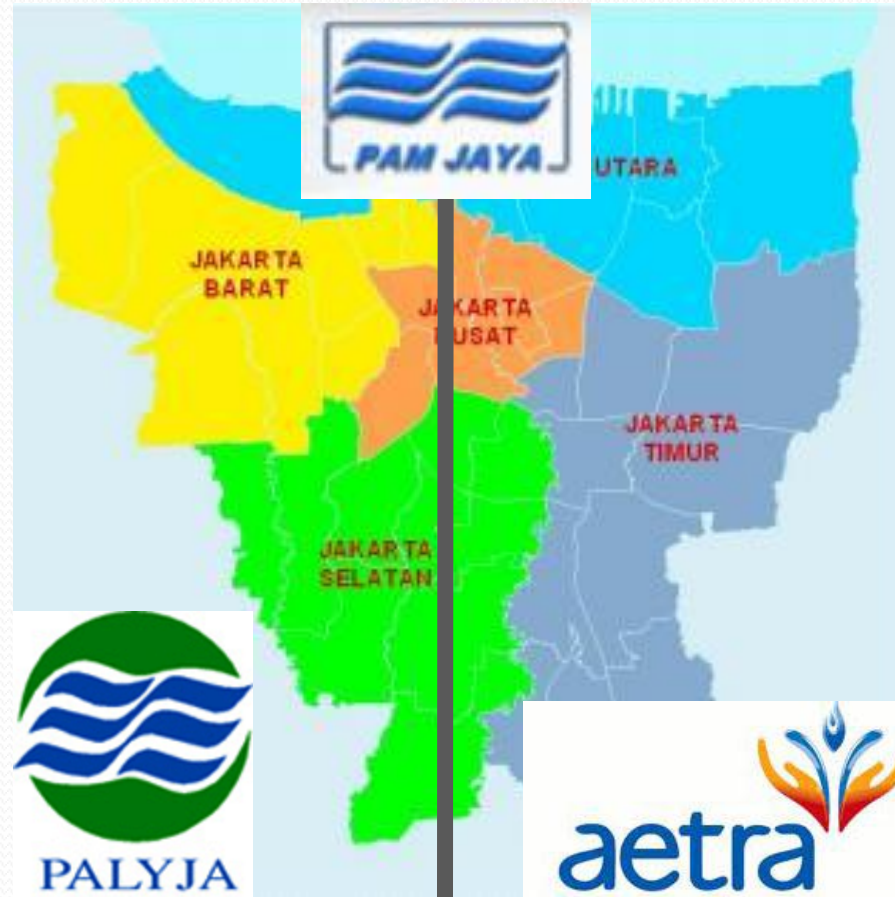
Jakarta Water Privatization

Issues, Challenges and Options

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Brief introduction

- Beginning of privatization – Cooperation agreement: 1997 – 2023
- One Jakarta, two private operators: PAM Jaya (Jakarta water utility) with SUEZ and THAMES
- All the operation is handed to the private operators, by dividing Jakarta into two parts.



- Suez
Environment 51%
- Astratel 49%

- Acuatico 95%
- PT. Alberta
Utilities 5%

Issues

- Tariff increase
- Financial loss
- Poor performance
- Labor issues

Tariff increase

- Jakarta's tariff is the highest in Southeast Asia
- 10 times of tariff increase since the beginning of privatization
- Water tariff and water charge:

Water tariff: customers -> PAM Jaya

Water charge: PAM Jaya -> private operators

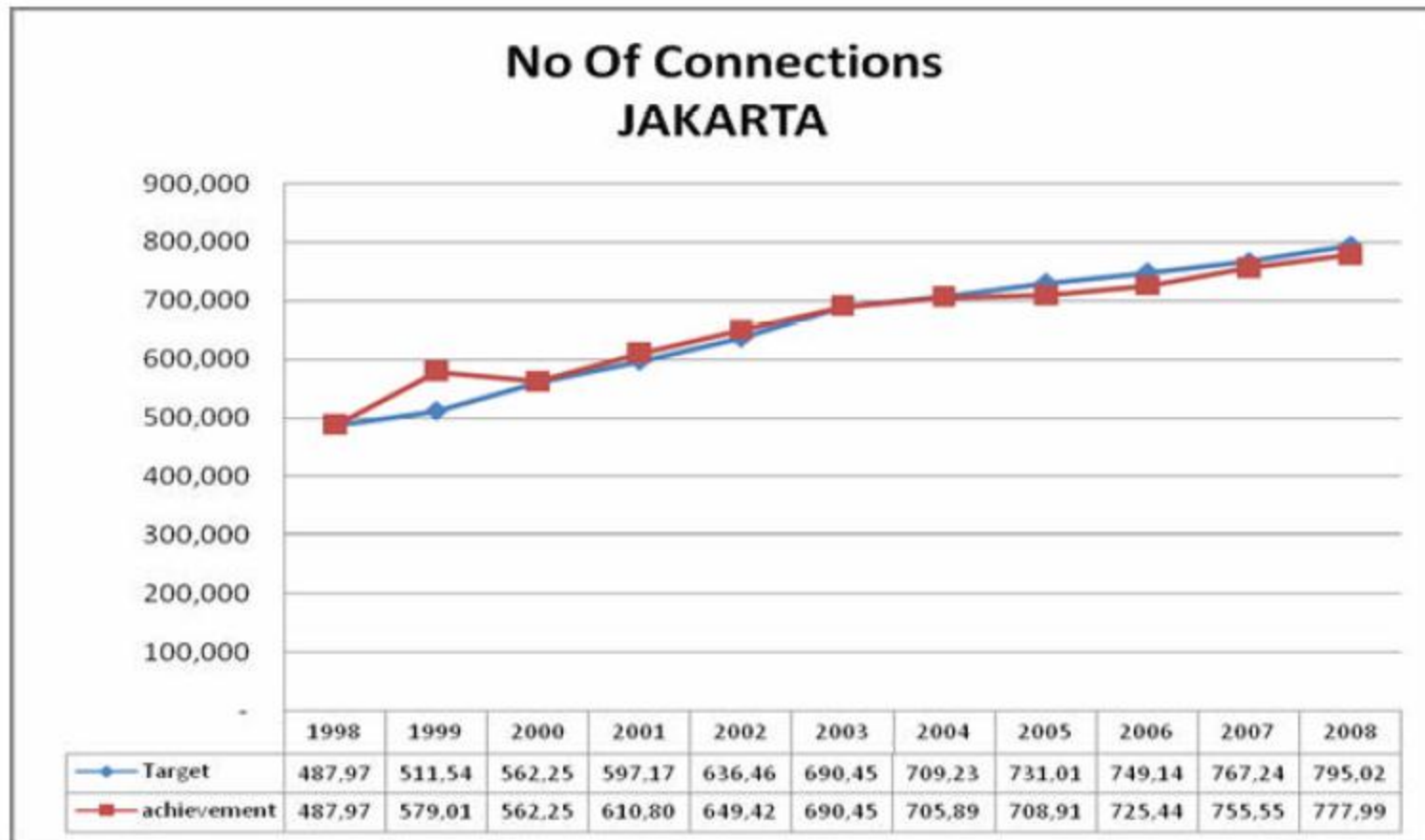
Water charge > water tariff = shortfall

- No pro-poor agenda

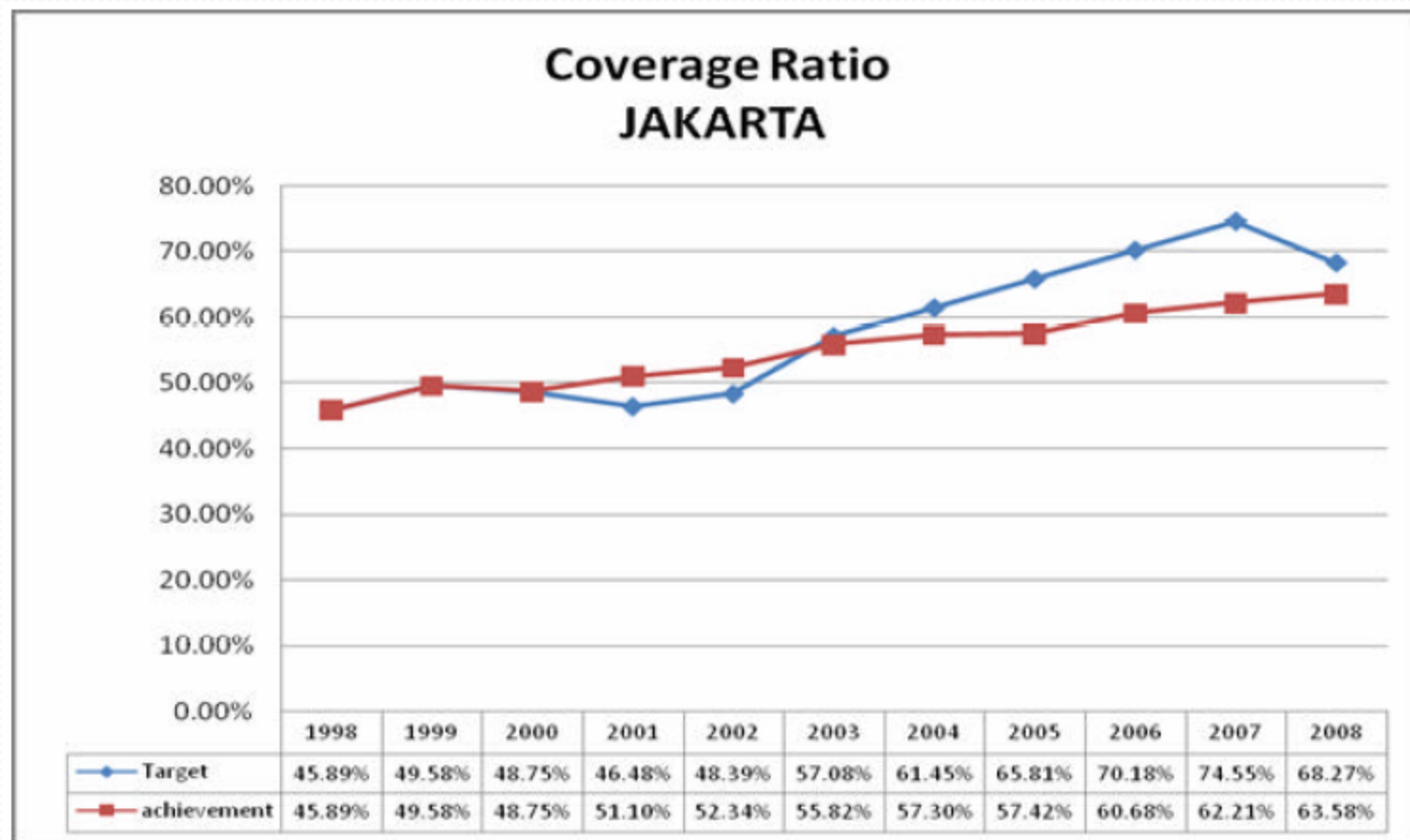
Financial loss

- PAM Jaya's accumulation of loss
2007 -> 200 million USD | 2008 -> 190 million USD
- Pam Jaya's debt (as of 2008): 80 million USD
- Internal Rate of Return is too high: 22%
Ideal water IRR:
UI -> 14.68%
Ministry of Home Affairs -> 10%
- Many expatriate costs unrelated with water operations
are included in water charge

Poor performance

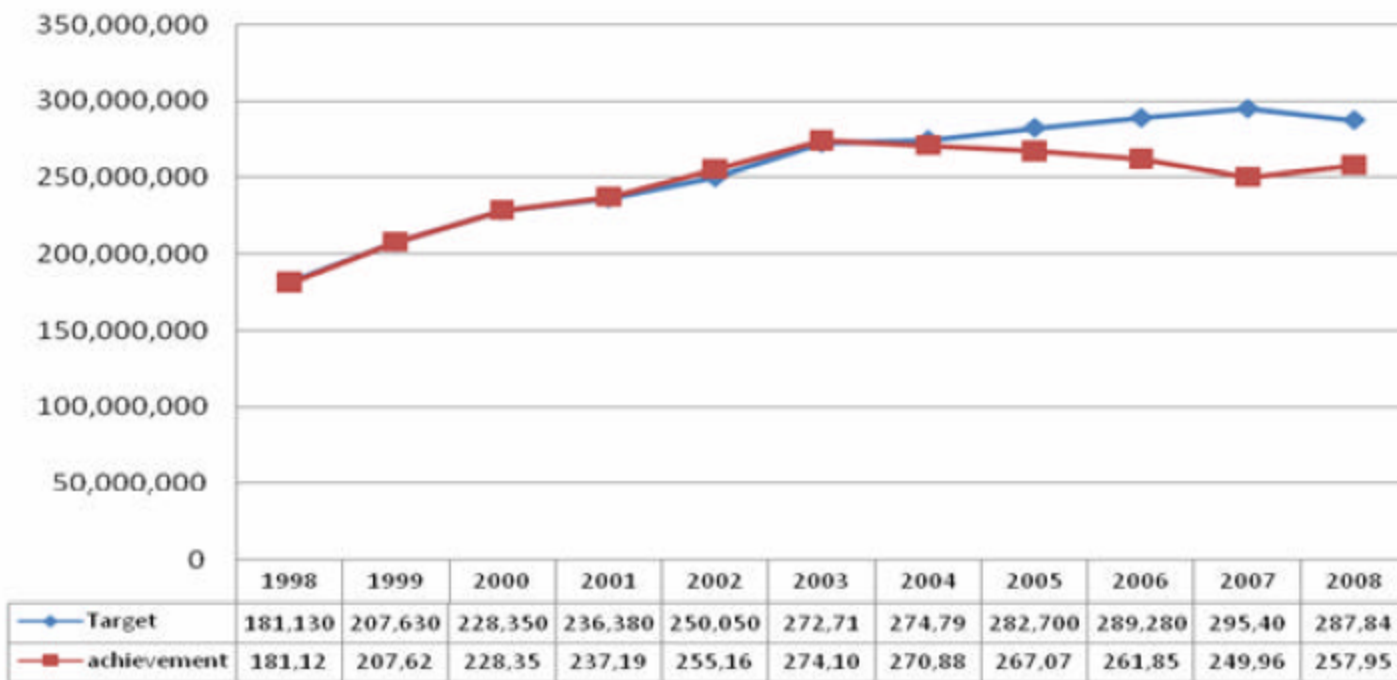


Source: BR-PAM Jaya



Source: BR-PAM Jaya

Volume Sold JAKARTA



Source: BR-PAM Jaya



A resident in
Manggarai Utara,
South Jakarta

“I actually subscribed pipe water, but now I turn to use ground water. It is because the water from pipe did not flow, but I still had to pay about 20 USD per month.”



A resident in
Penjaringan,
North Jakarta

“I don’t subscribe pipe water. It’s initial connection fee is way too expensive. So I buy jerry cans water each day, and I can spend up to 60 USD per month.”

Labor issues

- The status of seconded employees not clear, problematic relations with the private operators
- Basic salary
There was only one basic salary increase since the privatization
- Retirement

Jakarta's options:

- To continue privatization means continuing the losses
- To continue privatization with amendment on the cooperation agreement
- To terminate the cooperation agreement

Amendment of the CA

How to balance public's and private's interest

- Technical target -> coverage to the needs
- Fair IRR
- Remove the delinked system of WATER CHARGE and WATER TARIFF
- Rearrange the management and remuneration system of seconded employees

Terminate the privatization

- End the damages of Jakarta water service caused by the privatization
- Rebuilding a non-profit oriented public water utility
- Saving up to 1.82 USD – an opportunity cost if the privatization continues to 2023
- The existing public water utility (PAM Jaya) is actually prepared and able to run water service right after the termination
- However, the govt still worries about the image of local investment



Terima kasih